

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7624

BILL NUMBER: HB 1317

DATE PREPARED: Jan 7, 2001

BILL AMENDED:

SUBJECT: Blind and Disabled Property Tax Deduction.

FISCAL ANALYST: Bob Sigalow

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FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill increases the property tax deduction for blind and disabled persons from \$6,000 assessed value to \$9,000 assessed value.

Effective Date: January 1, 2002.

Explanation of State Expenditures:

Explanation of State Revenues: The State levies a tax rate for State Fair and State Forestry. Any reduction in the assessed value base will reduce the property tax revenue for these two funds. The revenue reduction is estimated at \$3,200 per year.

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current law, a \$2,000 assessed value (AV) property tax deduction is available to a homeowner who is blind or disabled as long as the taxpayer's income does not exceed \$17,000. Because of a change in the definition of assessed value that will take effect with the 2001 payable 2002 tax year, the current deduction will be equal to \$6,000 AV. This scheduled change does not affect final tax bills in any way. For clarity, assessed values in this estimate will be expressed in 2002 terms.

Beginning with property tax paid in CY 2003, this bill would increase the \$6,000 AV deduction to \$9,000 AV. In CY 2000 the deduction totaled \$194 M AV (2002 terms). The increase from \$6,000 AV to \$9,000 AV would cause an estimated increase in deductions of \$97 M AV. Additional deductions reduce the assessed value tax base. This causes a shift of the property tax burden from the taxpayers receiving the deductions to all taxpayers in the form of an increased tax rate. A \$97 M reduction in assessed value would cause a \$0.0005 to \$0.0016 increase in the statewide average net tax rate in CY 2003. This translates into a property tax shift of about \$1.7 M to \$3 M.

Total local revenues, except for cumulative funds, would remain unchanged. The revenue for cumulative funds would be reduced by the product of the fund rate multiplied by the deduction amount applicable to that fund.

State Agencies Affected: State Board of Tax Commissioners.

Local Agencies Affected: County Auditors.

Information Sources: Local Government Database.